

GOODRICH AREA SCHOOLS
GOODRICH, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf CPA's, P.C.

Serving You with Trust and Integrity

October 20, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Goodrich Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Goodrich Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 20, 2008 on our consideration of the Goodrich Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - IX, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Goodrich Area Schools' basic financial statements. The additional information on pages 20 - 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Goodrich Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Goodrich Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements: (Continued)

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets	\$8,515,001	\$8,183,691
Net Capital Assets	<u>30,259,567</u>	<u>31,179,109</u>
<u>TOTAL ASSETS</u>	<u><u>\$38,774,568</u></u>	<u><u>\$39,362,800</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$6,039,199	\$5,469,649
Long-Term Liabilities	<u>37,863,903</u>	<u>39,497,889</u>
Total Liabilities	<u>\$43,903,102</u>	<u>\$44,967,538</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt (Deficit)	(3,712,412)	(4,659,188)
Restricted - Debt Service	1,219,957	1,023,483
Unrestricted (Deficit)	<u>(2,636,079)</u>	<u>(1,969,033)</u>
Total Net Assets Deficit	<u><u>(\$5,128,534)</u></u>	<u><u>(\$5,604,738)</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$38,774,568</u></u>	<u><u>\$39,362,800</u></u>

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
REVENUES		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,451,930	\$1,401,078
Property Taxes Levied for Debt Service	3,607,059	3,341,155
State of Michigan Unrestricted Foundation Aid	13,995,425	13,990,875
Other General Revenues	<u>612,106</u>	<u>444,370</u>
Total General Revenues	\$19,666,520	\$19,177,478
<u>Program Revenue</u>		
Charges for Services - Local	1,438,136	1,387,777
Operating Grants - Federal and State	<u>1,410,894</u>	<u>1,261,141</u>
Total Program Revenue	<u>\$2,849,030</u>	<u>\$2,648,918</u>
Total Revenues	\$22,515,550	\$21,826,396
EXPENSES		
Instruction	10,753,735	10,012,490
Support Services	6,551,264	6,250,183
Community Services	667,414	599,585
Food Service	903,004	813,963
Athletics	443,200	445,924
Bond Issuance Costs	99,369	0
Interest on Long-Term Debt	1,684,662	2,235,178
Depreciation	<u>936,698</u>	<u>947,268</u>
Total Expenses	<u>\$22,039,346</u>	<u>\$21,304,591</u>
<u>INCREASE IN NET ASSETS</u>	\$476,204	\$521,805
BEGINNING NET ASSETS (DEFICIT)	<u>(5,604,738)</u>	<u>(6,126,543)</u>
<u>ENDING NET ASSETS (DEFICIT)</u>	<u><u>(\$5,128,534)</u></u>	<u><u>(\$5,604,738)</u></u>

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets increased by \$476,204 to a total of \$(5,128,534). The largest portion of the net assets are the districts investment in capital assets net of related debt. Net assets (invested in capital assets, net of related debt) increased by \$946,776 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The deficit in unrestricted net assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets decreased by \$667,046 during the year and the restricted portion of the net assets increased by \$196,474. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall revenues exceeded its expenses for the year by \$476,204. The total revenues increased by \$689,154 or 3% over last years amounts. Major changes in revenue were due to increases in property taxes, local charges for services and increases in federal grants. Additionally, a refinancing of bonded debt yielded revenue that reduces long-term debt. This revenue is not available to the district for operations. Expenditures increased by \$734,755 with major changes primarily due to increased costs for wages, energy, and health care benefits.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Fund balance for the general fund decreased by \$304,263 during the year with the decrease coming primarily in cash. Revenues for the year increased by \$337,432 over last year's amounts; primarily from increases in property taxes, state per pupil funding and grant revenues. Expenditures and other financing uses increased by \$898,751 due to increases in wages, benefits, energy, and technology upgrades. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Goodrich Area Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 2,168 students. This is a decrease of 16 students from the prior year.

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.3698 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$1,469,326. This is an increase of approximately \$67,489 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$16,838,485	\$17,104,778	\$17,183,665	1.58	0.46
Expenditures	<u>17,574,677</u>	<u>17,565,574</u>	<u>17,487,928</u>	0.05	0.44
<u>TOTAL</u>	<u>(\$736,192)</u>	<u>(\$460,796)</u>	<u>(\$304,263)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Goodrich Area Schools amends its budget during the school year. For fiscal year June 30, 2008, the budget was amended in June, 2008.

Original vs. Final Budgets

Revenues

The final budget was higher than the original budget due to an increase in property tax revenue and grant revenue.

Expenditures

No significant variance between original and final budgets.

Final Budgets vs. Actual

Revenues and Expenditures

No significant variance between final budgets and actual.

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Governmental Activities:</u>				
Bonds	\$35,720,000	\$11,365,000	\$12,815,000	\$34,270,000
Bus Contracts	87,856	0	57,704	30,152
Installment Contracts	30,441	0	14,782	15,659
School Bond Loan Fund	5,673,670	126,518	354,463	5,445,725
Bond Discount on Refunding	(96,370)	4,190	0	(92,180)
Deferred Loss on Bond Refunding	(909,320)	61,423	105,000	(952,897)
Bond Premium	470,370	267,725	36,850	701,245
Compensated Absences	148,728	26,732	0	175,460
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Total Governmental Activities</u>	<u>\$41,125,375</u>	<u>\$11,851,588</u>	<u>\$13,383,799</u>	<u>\$39,593,164</u>

Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$1,359,759 has been assessed for the year ended June 30, 2008, and is included in the amount owing the State at that date. The balance including accrued interest as of June 30, 2008 was \$5,445,725.

2008 Debt Refunding Bonds

On February 7, 2008, the District issued \$11,365,000 of General Obligation Refunding Bonds, Series 2003, with an average interest rate of 3.97844%. The bonds consist of serial bonds bearing various fixed rates ranging from 3.5% to 4.5% with annual maturities from May 2008 through May 2024.

The net proceeds of \$11,456,875 (after issuance costs of \$175,850, plus premium of \$267,725) were used to advance refund the 1998 General Obligation Refunding of bonds with a total principal amount of \$11,260,000 and an average interest rate of 4.94412%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the District's total debt service payments by \$1,050,972. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$830,269.

GOODRICH AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets

The district's net investment in capital assets decreased by \$919,542 during the fiscal year. This can be summarized as follows:

	Balance 7-1-07	Additions	Deductions	Balance 6-30-08
Capital Assets	\$41,982,171	\$157,689	\$0	\$42,139,860
Less: Accumulated Depreciation	(10,803,062)	(1,077,231)	0	(11,880,293)
<u>Net Investment Capital Outlay</u>	<u>\$31,179,109</u>	<u>(\$919,542)</u>	<u>\$0</u>	<u>\$30,259,567</u>

Significant changes were due to the purchase of a bus and truck.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$100 per pupil for the 08-09 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to be 16.54 % for 2008-09.

The Goodrich Area Schools 2008/2009 adopted budget is as follows:

REVENUE	\$17,038,421
EXPENDITURES	<u>17,627,570</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$589,149)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Goodrich Area Schools.

GOODRICH AREA SCHOOLS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$5,231,007
Accounts Receivable	242,560
Due from Other Governmental Units	2,994,898
Inventory	46,536
Total Current Assets	<u>\$8,515,001</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	42,139,860
Less: Accumulated Depreciation	<u>(11,880,293)</u>
Net Capital Assets	<u>\$30,259,567</u>
<u>TOTAL ASSETS</u>	<u><u>\$38,774,568</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$393,408
State Aid Note Payable	2,506,756
Accrued Expense	492,826
Salaries Payable	838,888
Due to Students	3,562
Deferred Revenue	74,497
Current Portion of Long-Term Obligations	<u>1,729,262</u>
Total Current Liabilities	<u>\$6,039,199</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>37,863,903</u>
<u>TOTAL LIABILITIES</u>	<u>\$43,903,102</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(3,712,412)
Restricted for:	
Debt Retirement	1,219,957
Unrestricted	<u>(2,636,079)</u>
Total Net Assets	<u><u>(\$5,128,534)</u></u>
<u>TOTAL NET ASSETS</u>	<u><u>\$38,774,568</u></u>

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$10,753,735	\$0	\$1,094,381	(\$9,659,354)
Support Services	6,551,264	62,626	150,620	(6,338,018)
Community Services	667,414	576,553	0	(90,861)
Food Service	903,004	680,035	165,893	(57,076)
Athletics	443,200	118,922	0	(324,278)
Bond Issuance Costs	99,369	0	0	(99,369)
Interest - Long-Term Obligations	1,684,662	0	0	(1,684,662)
Depreciation - Unallocated	936,698	0	0	(936,698)
<u>TOTALS</u>	<u>\$22,039,346</u>	<u>\$1,438,136</u>	<u>\$1,410,894</u>	<u>(\$19,190,316)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				5,058,989
State Aid				13,995,425
Investment Earnings				171,073
Grants and Contributions Not Restricted to				
Specific Programs				31,352
Miscellaneous				409,681
Total General Revenues and Transfers				<u>\$19,666,520</u>
Change in Net Assets				\$476,204
Net Assets - Beginning (Deficit)				<u>(5,604,738)</u>
<u>Net Assets - Ending (Deficit)</u>				<u>(\$5,128,534)</u>

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$3,873,569	\$1,357,438	\$5,231,007
Accounts Receivable	215,222	27,338	242,560
Due from Other Governmental Units	2,987,127	7,771	2,994,898
Due from Other Funds	29,400	17,127	46,527
Inventory	0	46,536	46,536
<u>TOTAL ASSETS</u>	<u>\$7,105,318</u>	<u>\$1,456,210</u>	<u>\$8,561,528</u>
<u>LIABILITIES</u>			
Accounts Payable	\$391,306	\$2,102	\$393,408
State Aid Note Payable	2,506,756	0	2,506,756
Due to Other Funds	17,127	29,400	46,527
Accrued Expenses	197,748	8,532	206,280
Salaries Payable	803,880	35,008	838,888
Due to Students	0	3,562	3,562
Deferred Revenue	74,497	0	74,497
Total Liabilities	\$3,991,314	\$78,604	\$4,069,918
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	46,536	46,536
Debt Retirement	0	1,219,957	1,219,957
Designated	169,003	0	169,003
Unreserved:			
Undesignated, Reported In:			
General Fund	2,945,001	0	2,945,001
School Service Funds	0	111,113	111,113
Total Fund Balances	\$3,114,004	\$1,377,606	\$4,491,610
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$7,105,318</u>	<u>\$1,456,210</u>	<u>\$8,561,528</u>

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:	\$4,491,610
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$42,139,860 and the accumulated depreciation is \$11,880,293	30,259,567
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Accrued Interest on Long-Term Deb	(286,546)
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$34,270,000	
School Bond Loan Fund	5,445,725	
Bond Premium	701,245	
Bond Discount on Refunding	(92,180)	
Deferred Loss on Bond Refunding	(952,897)	
Notes Payable	45,811	
Compensated Absences Payable	175,461	
Total		<u>(39,593,165)</u>

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$5,128,534)</u>
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GOODRICH AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$1,708,703	\$5,074,400	\$6,783,103
State Sources	14,392,437	28,396	14,420,833
Federal Sources	551,580	166,233	717,813
Total Revenues	\$16,652,720	\$5,269,029	\$21,921,749
<u>EXPENDITURES</u>			
Current:			
Instruction	10,739,336	0	10,739,336
Student Services	685,012	0	685,012
Instructional Support	468,693	0	468,693
General Administration	374,402	0	374,402
School Administration	953,763	0	953,763
Business Administration	375,132	0	375,132
Operation & Maintenance of Plant	1,966,657	0	1,966,657
Transportation	1,064,308	0	1,064,308
Support Services - Other	477,478	0	477,478
Community Services	1,415	0	1,415
Special Revenue	0	2,005,107	2,005,107
Debt Service	0	3,465,729	3,465,729
Total Expenditures	\$17,106,196	\$5,470,836	\$22,577,032
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$453,476)	(\$201,807)	(\$655,283)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(302,996)	302,996	0
Other Transfers	452,209	62,856	515,065
Bond Proceeds	0	11,365,000	11,365,000
Bond Premium	0	267,725	267,725
Payment to Escrow Agent	0	(11,527,851)	(11,527,851)
Bond Issuance Costs	0	(99,369)	(99,369)
Total Other Financing Sources (Uses)	\$149,213	\$371,357	\$520,570
Net Change in Fund Balance	(\$304,263)	\$169,550	(\$134,713)
<u>FUND BALANCE - BEGINNING</u>	3,418,267	1,208,056	4,626,323
<u>FUND BALANCE - ENDING</u>	\$3,114,004	\$1,377,606	\$4,491,610

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	(\$134,713)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(919,542)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	13,241,948
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Amortization of debt issue discounts, premiums, and other costs are record in the Statement of Activities over the life of the bonds. This is the amount of the amortization of debt issue discounts, premiums, and other debt issue costs for the current year.	(65,614)
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Issuance of Bond Premium	(267,725)
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Amortization of the deferred loss on bond refinancing is recorded in the Statement of Activities over the life of the bonds. This is the amount of the amortization of deferred loss for the current year.	36,850
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Issuance of Deferred Loss on Refunding	105,000
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Loan Proceeds are shown as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. This is the amount of proceeds reported as revenue in the governmental funds.	(11,491,518)
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(Increase) in accrued compensated absences	(26,732)
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Change in accrued interest on long-term liabilities	<u>(1,750)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$476,204</u>
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GOODRICH AREA SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

	Trust & Agency	Private Purpose Trusts	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$283,991	\$114,418	\$398,409
<u>TOTAL ASSETS</u>	\$283,991	\$114,418	\$398,409
<u>LIABILITIES</u>			
Due to Student Groups	283,991	0	283,991
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$114,418</u>	<u>\$114,418</u>

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Private Purpose Trusts
<u>REVENUE</u>	
Donations	\$10,566
<u>EXPENDITURES</u>	
Scholarships	<u>11,450</u>
<u>CHANGE IN NET ASSETS</u>	(\$884)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>115,302</u>
<u>NET ASSETS - END OF YEAR</u>	<u><u>\$114,418</u></u>

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Local Sources	\$1,634,975	\$1,643,125	\$1,708,703	(\$65,578)
State Sources	14,358,167	14,459,717	14,392,437	67,280
Federal Sources	537,578	560,256	551,580	8,676
Total Revenues	<u>\$16,530,720</u>	<u>\$16,663,098</u>	<u>\$16,652,720</u>	<u>\$10,378</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	10,645,002	10,774,331	10,739,336	34,995
Student Services	726,874	684,951	685,012	(61)
Instructional Support	601,026	474,973	468,693	6,280
General Administration	371,348	384,005	374,402	9,603
School Administration	908,833	950,884	953,763	(2,879)
Business Administration	446,305	369,311	375,132	(5,821)
Operation & Maintenance of Plant	1,949,556	1,948,000	1,966,657	(18,657)
Transportation	1,098,209	1,093,640	1,064,308	29,332
Support Services - Other	469,330	495,065	477,478	17,587
Community Services	1,108	1,508	1,415	93
Total Expenditures	<u>\$17,217,591</u>	<u>\$17,176,668</u>	<u>\$17,106,196</u>	<u>\$70,472</u>
Excess of Revenues Over Expenditures	<u>(\$686,871)</u>	<u>(\$513,570)</u>	<u>(\$453,476)</u>	<u>(\$60,094)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(49,321)</u>	<u>52,774</u>	<u>149,213</u>	<u>96,439</u>
Net Change in Fund Balance	<u>(\$736,192)</u>	<u>(\$460,796)</u>	<u>(\$304,263)</u>	<u>\$36,345</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,418,267</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$3,114,004</u>	

See accompanying notes to the basic financial statements.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Goodrich Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Community Education Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

Teachers earn sick days at the rate of 12 days per year. Other employees earn sick days depending on the number of months employed and their union contract. Employees, either upon retirement and acceptance into the Michigan School Employee's Retirement System or upon resignation after ten (10) years with the District, shall be compensated at a daily or hourly rate based on their contracts. The total estimated liability for unpaid sick days, including salary-related payments, was \$175,461 at June 30, 2008.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$4,398,428 of the District's bank balance of \$5,836,386 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$398,409	<u>\$ 5,629,416</u>
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The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 283,991
Cash – Trust Funds	114,418
Cash – District Wide	<u>5,231,007</u>
 <u>TOTAL</u>	 <u>\$ 5,629,416</u>

5) PROPERTY TAXES

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's tax base is within Genesee, Lapeer and Oakland Counties.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by Genesee County and remitted to the District by June 30.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,625,825
Federal Grants	358,214
Other Grant Programs & Fees	<u>10,859</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 2,994,898</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the School District had estimated claims of \$2,888 in conjunction with the program.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

8) SHORT-TERM DEBT

The District borrowed \$2,430,000 at 3.68% interest per annum on August 20, 2007, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2008. The amount recorded on the financial statements includes accrued interest of \$76,756.

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
State Aid Note	<u>\$2,075,000</u>	<u>\$2,430,000</u>	<u>\$2,075,000</u>	<u>\$2,430,000</u>

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
GOVERNMENTAL ACTIVITIES				
Land, Buildings and Improvements	\$38,336,558	\$13,535	\$0	\$38,350,093
Equipment and Furniture	1,913,457	22,112	0	1,935,569
Vehicles	1,732,156	122,042		1,854,198
Totals at Historical Cost	<u>\$41,982,171</u>	<u>\$157,689</u>	<u>\$0</u>	<u>\$42,139,860</u>
Less: Accumulated Depreciation				
Land, Buildings and Improvements	(8,518,475)	(811,762)	0	(9,330,237)
Equipment and Furniture	(1,067,314)	(132,294)		(1,199,608)
Vehicles	(1,217,273)	(133,175)		(1,350,448)
Total Accumulated Depreciation	<u>(\$10,803,062)</u>	<u>(\$1,077,231)</u>	<u>\$0</u>	<u>(\$11,880,293)</u>
GOVERNMENTAL ACTIVITIES				
<u>CAPITAL ASSETS - NET</u>	<u>\$31,179,109</u>	<u>(\$919,542)</u>	<u>\$0</u>	<u>\$30,259,567</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 14,399
Support Services	1,204
Food Service	5,892
Athletics	119,038
Unallocated	<u>936,698</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 1,077,231</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2008 were \$80,781 and the School District received a dividend refund of \$21,328.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT

A) Bonds

1998 Debt Refunding Bonds

Goodrich Area Schools has issued General Obligation Bonds dated April 1, 1998 in the amount of \$14,870,000. The bonds mature serially through May 1, 2024, at varying principal amounts. Interest rates on the bonds range from 4.6% to 5.00% per annum. These bonds were defeased on February 7, 2008. The balance of the bonds at June 30, 2008, was \$0.

2000 Debt Retirement Series A Bonds

Goodrich Area Schools has issued General Obligation Bonds dated September 15, 2000 in the amount of \$15,845,000. The bonds mature serially through May 1, 2012, at varying principal amounts. Interest rates on the bonds range from 4.65% to 5.75% per annum. The balance of the bonds at June 30, 2008, was \$3,505,000.

2000 Debt Retirement Series B Bonds

Goodrich Area Schools has issued General Obligation Bonds dated September 15, 2000 in the amount of \$10,470,000. The bonds mature serially through May 1, 2025, at varying principal amounts. Interest rates on the bonds range from 5.0% to 5.625% per annum. The balance of the bonds at June 30, 2008, was \$2,080,000.

2005 Debt Retirement

Goodrich Area Schools has issued General Obligation Bonds dated March 15, 2005 in the amount of \$10,600,000. The bonds mature serially through May 1, 2022, at varying principal amounts. Interest rates on the bonds range from 2.7% to 5.0% per annum. The balance of the bonds at June 30, 2008, was \$10,520,000.

2006 Debt Refunding Bonds

Goodrich Area Schools has issued General Obligation Bonds dated February 14, 2006 in the amount of \$6,800,000. The bonds mature serially through May 1, 2030, at varying principal amounts. Interest rates on the bonds range from 4.00% to 4.35% per annum. The balance of the bonds at June 30, 2008, was \$6,800,000.

2008 Debt Refunding Bonds

On February 7, 2008, the District issued \$11,365,000 of General Obligation Refunding Bonds, Series 2008, with an average interest rate of 3.97844%. The bonds consist of serial bonds bearing various fixed rates ranging from 3.5% to 4.5% with annual maturities from May 2008 through May 2024.

The net proceeds of \$11,456,875 (after issuance costs of \$175,850, plus premium of \$267,725) were used to advance refund the 1998 General Obligation Refunding of bonds with a total principal amount of \$11,260,000 and an average interest rate of 4.94412%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the District's total debt service payments by \$1,050,972. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$830,269.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT (Continued)

B) Bus and Installment Contracts

Installment and bus contracts consist of five loans for buses, two loans for other vehicles, one loan for land, four loans for radios, and one loan for plows. These loans require annual principal payments ranging from \$179 to \$30,152 plus interest calculated at 2.35% to 6.0%. The balance of these contracts was \$45,814 at June 30, 2008.

C) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$1,359,759 has been assessed for the year ended June 30, 2008, and is included in the amount owing the State at that date. The balance including accrued interest as of June 30, 2008 was \$5,445,725.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2008 are as follows:

	Bonds Payable	Installment Contracts	Bus Contracts	Michigan School Bond Loan	Interest	Total
June 30, 2009	\$1,705,000	\$15,659	\$30,152	\$0	\$1,619,363	\$3,370,174
June 30, 2010	1,785,000	0	0	0	1,446,995	3,231,995
June 30, 2011	1,865,000	0	0	0	1,367,139	3,232,139
June 30, 2012	1,795,000	0	0	0	1,283,361	3,078,361
June 30, 2013	1,750,000	0	0	0	1,197,420	2,947,420
June 30, 2014-2018	8,740,000	0	0	0	4,813,650	13,553,650
June 30, 2019-2023	8,525,000	0	0	0	2,838,920	11,363,920
June 30, 2024-2028	5,950,000	0	0	0	1,193,606	7,143,606
June 30, 2029-2030	2,155,000	0	0	0	139,746	2,294,746
Thereafter	0	0	0	5,445,725	0	5,445,725
<u>TOTAL</u>	<u>\$34,270,000</u>	<u>\$15,659</u>	<u>\$30,152</u>	<u>\$5,445,725</u>	<u>\$15,900,200</u>	<u>\$55,661,736</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,558,184.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT (Continued)

E) Changes in General Long-Term Debt

	Balance			Balance	Amount Due
Governmental Activities:	July 1, 2007	Additions	Deductions	June 30, 2008	in One Year
Bonds	\$35,720,000	\$11,365,000	\$12,815,000	\$34,270,000	\$1,705,000
Bus Contracts	87,856	0	57,704	30,152	30,152
Installment Contracts	30,441	0	14,782	15,659	15,659
School Bond Loan Fund	5,673,670	126,518	354,463	5,445,725	0
Bond Discount on Refunding	(96,370)	4,190	0	(92,180)	(4,190)
Deferred Loss on Bond Refunding	(909,320)	61,423	105,000	(952,897)	(65,192)
Bond Premium	470,370	267,725	36,850	701,245	47,833
Compensated Absences	148,728	26,732	0	175,460	0
<u>Total Governmental Activities</u>	<u>\$41,125,375</u>	<u>\$11,851,588</u>	<u>\$13,383,799</u>	<u>\$39,593,164</u>	<u>\$1,729,262</u>

12) GENERAL FUND DESIGNATIONS

The general fund designations are as follows:

Technology \$ 169,003

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2008 consisted of the following:

DUE FROM				
DUE TO	General Fund	Food Service	Community Education	Total
General Fund	\$0	\$7,127	\$10,000	\$17,127
Food Service Fund	14,210	0	0	14,210
Community Education Fund	190	0	0	190
Debt Retirement	15,000	0	0	15,000
<u>TOTAL</u>	<u>\$29,400</u>	<u>\$7,127</u>	<u>\$10,000</u>	<u>\$46,527</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL FUND
Athletics Fund	<u>\$302,996</u>

These transfers were made to subsidize the cost of services for athletics.

GOODRICH AREA SCHOOLS - GOODRICH, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$1,722,901, \$1,639,149 and \$1,334,267, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to Brown & Brown Insurance and Accident Fund.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2008, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

The District is involved in two legal proceedings regarding employment law. No amount of estimated damages, if any, is known at this time.

18) SUBSEQUENT EVENTS

On August 20, 2008, the District borrowed \$2,500,000 at 1.70% on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2008-2009 fiscal year and will mature August 20, 2009.

OTHER SUPPLEMENTAL
INFORMATION

GOODRICH AREA SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$122,481	\$1,234,957	\$1,357,438
Accounts Receivable	27,338	0	27,338
Due from Other Governmental Units	7,771	0	7,771
Due from Other Funds	17,127	0	17,127
Inventory	46,536	0	46,536
<u>TOTAL ASSETS</u>	<u>\$221,253</u>	<u>\$1,234,957</u>	<u>\$1,456,210</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,102	\$0	\$2,102
Due to Other Funds	14,400	15,000	29,400
Accrued Expenses	8,532	0	8,532
Salaries Payable	35,008	0	35,008
Due to Students	3,562	0	3,562
Total Liabilities	\$63,604	\$15,000	\$78,604
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	46,536	0	46,536
Debt Retirement	0	1,219,957	1,219,957
Unreserved:			
Undesignated, Reported In:			
School Service Fund	111,113	0	111,113
Total Fund Balances	\$157,649	\$1,219,957	\$1,377,606
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$221,253</u>	<u>\$1,234,957</u>	<u>\$1,456,210</u>

GOODRICH AREA SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$1,417,702	\$3,656,698	\$5,074,400
State Sources	28,396	0	28,396
Federal Sources	166,233	0	166,233
Total Revenues	<u>\$1,612,331</u>	<u>\$3,656,698</u>	<u>\$5,269,029</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	302,996	0	302,996
Other Transfers	62,856	0	62,856
Bond Proceeds	0	11,365,000	11,365,000
Bond Premium	0	267,725	267,725
Payment to Escrow Agent	0	(11,527,851)	(11,527,851)
Bond Issuance Costs	0	(99,369)	(99,369)
Total Other Financing Sources (Uses)	<u>\$365,852</u>	<u>\$5,505</u>	<u>\$371,357</u>
Total Revenues & Other Financing Sources	<u>\$1,978,183</u>	<u>\$3,662,203</u>	<u>\$5,640,386</u>
<u>EXPENDITURES</u>			
Food Service	897,112	0	897,112
Athletics	441,996	0	441,996
Community Education	665,999	0	665,999
Debt Service	0	3,465,729	3,465,729
Total Expenditures	<u>\$2,005,107</u>	<u>\$3,465,729</u>	<u>\$5,470,836</u>
Net Change in Fund Balance	(\$26,924)	\$196,474	\$169,550
<u>NET ASSETS - BEGINNING</u>	<u>184,573</u>	<u>1,023,483</u>	<u>1,208,056</u>
<u>NET ASSETS - ENDING</u>	<u>\$157,649</u>	<u>\$1,219,957</u>	<u>\$1,377,606</u>

GOODRICH AREA SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	Food Service	Athletics	Community Education	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$65,306	\$10,822	\$46,353	\$122,481
Accounts Receivable	21,354	0	5,984	27,338
Due from Other Governmental Units	5,165	0	2,606	7,771
Due from Other Funds	7,127	0	10,000	17,127
Inventory	46,536	0	0	46,536
<u>TOTAL ASSETS</u>	<u>\$145,488</u>	<u>\$10,822</u>	<u>\$64,943</u>	<u>\$221,253</u>
<u>LIABILITIES</u>				
Accounts Payable	\$2,102	\$0	\$0	\$2,102
Due to Other Funds	14,210	0	190	14,400
Accrued Expenses	3,090	71	5,371	8,532
Salaries Payable	12,679	291	22,038	35,008
Due to Students	3,562	0	0	3,562
Total Liabilities	\$35,643	\$362	\$27,599	\$63,604
<u>FUND EQUITY</u>				
Reserved for Inventory	46,536	0	0	46,536
Unreserved and Undesignated	63,309	10,460	37,344	111,113
Total Fund Equity	\$109,845	\$10,460	\$37,344	\$157,649
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$145,488</u>	<u>\$10,822</u>	<u>\$64,943</u>	<u>\$221,253</u>

GOODRICH AREA SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

<u>REVENUES</u>	<u>Food Service</u>	<u>Athletics</u>	<u>Community Education</u>	<u>Total</u>
<u>Local Sources</u>				
Cafeteria Sales	\$680,035	\$0	\$0	\$680,035
Athletic Activities	0	118,922	0	118,922
Earnings on Investments and Deposits	2,910	736	1,874	5,520
Other Local Revenues	1,531	14,318	597,376	613,225
Total Local Sources	\$684,476	\$133,976	\$599,250	\$1,417,702
<u>State Sources</u>				
State Reimbursements	28,396	0	0	28,396
<u>Federal Sources</u>				
Federal Reimbursements	92,443	0	0	92,443
Commodities	45,054		0	45,054
PeaNut Grant	0	0	28,736	28,736
Total Federal Sources	\$137,497	\$0	\$28,736	\$166,233
Total Revenues	\$850,369	\$133,976	\$627,986	\$1,612,331
<u>OTHER FINANCING SOURCES</u>				
Other Transfers	0	230	0	230
Transfers from Other Governmental Units	62,626	0	0	62,626
Transfers from General Fund	0	302,996	0	302,996
Total Other Financing Sources	\$62,626	\$303,226	\$0	\$365,852
Total Revenues and Other Financing Sources	\$912,995	\$437,202	\$627,986	\$1,978,183
<u>EXPENDITURES</u>				
Salaries - Professional	69,516	0	51,170	120,686
Salaries - Non-Professional	252,048	186,485	388,502	827,035
Insurances	21,150	0	18,709	39,859
Fica, Retirement, Etc.	92,020	43,806	108,258	244,084
Purchased Services	11,289	97,166	37,424	145,879
Supplies and Materials	423,688	68,714	53,378	545,780
Capital Outlay	27,401	0	0	27,401
Other	0	45,825	8,558	54,383
Total Expenditures	\$897,112	\$441,996	\$665,999	\$2,005,107
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u>	\$15,883	(\$4,794)	(\$38,013)	(\$26,924)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	93,962	15,254	75,357	\$184,573
<u>FUND BALANCE - END OF YEAR</u>	\$109,845	\$10,460	\$37,344	\$157,649

GOODRICH AREA SCHOOLS
DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008

	<u>1998</u> <u>Debt</u>	<u>2000</u> <u>Debt</u>	<u>2005</u> <u>Debt</u>	<u>2006</u> <u>Debt</u>	<u>2008</u> <u>Debt</u>	<u>Total After</u> <u>Interfund</u> <u>Eliminations</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$466,952	\$266,010	\$309,993	\$176,393	\$15,609	\$1,234,957
Due from Other Funds	0	93,070	42,712	0	0	0
<u>TOTAL ASSETS</u>	<u>\$466,952</u>	<u>\$359,080</u>	<u>\$352,705</u>	<u>\$176,393</u>	<u>\$15,609</u>	<u>\$1,234,957</u>
<u>LIABILITIES</u>						
Due to Other Funds	\$53,665	\$24,543	\$0	\$72,574	\$0	\$15,000
<u>FUND EQUITY</u>						
Reserved - Debt Retirement	413,287	334,537	352,705	103,819	15,609	1,219,957
<u>TOTAL LIABILITIES AND</u> <u>FUND EQUITY</u>	<u>\$466,952</u>	<u>\$359,080</u>	<u>\$352,705</u>	<u>\$176,393</u>	<u>\$15,609</u>	<u>\$1,234,957</u>

GOODRICH AREA SCHOOLS
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	1998 Debt	2000 Debt	2005 Debt	2006 Debt	2008 Debt	Total After Interfund Eliminations
<u>REVENUES</u>						
<u>Local Sources</u>						
Property Taxes	\$1,535,926	\$1,158,897	\$591,092	\$321,144	\$0	\$3,607,059
Earnings on Investments	19,909	13,318	10,432	5,876	104	49,639
Total Local Sources	\$1,555,835	\$1,172,215	\$601,524	\$327,020	\$104	\$3,656,698
<u>OTHER FINANCING SOURCES</u>						
Transfers from Other Funds	0	0	0	0	10,000	0
Bond Proceeds	0	0	0	0	11,365,000	11,365,000
Bond Premium	0	0	0	0	267,725	267,725
Total Other Financing Sources	\$0	\$0	\$0	\$0	\$11,642,725	\$11,632,725
Total Revenues and Other Financing Sources	\$1,555,835	\$1,172,215	\$601,524	\$327,020	\$11,642,829	\$15,289,423
<u>EXPENDITURES</u>						
Redemption of Bond Principal	1,045,501	781,253	63,213	19,495	0	1,909,462
Interest on Bonded Debt	403,212	348,931	509,486	292,451	0	1,554,080
Dues and Fees	716	1,037	231	203	0	2,187
Total Expenditures	\$1,449,429	\$1,131,221	\$572,930	\$312,149	\$0	\$3,465,729
<u>OTHER FINANCING USES</u>						
Payment to Escrow Agent	0	0	0	0	11,527,851	11,527,851
Bond Issuance Costs	0	0	0	0	99,369	99,369
Transfers to Other Funds	10,000	0	0	0	0	0
Total Other Financing Uses	\$10,000	\$0	\$0	\$0	\$11,627,220	\$11,627,220
Total Expenditures & Other Financing Uses	\$1,459,429	\$1,131,221	\$572,930	\$312,149	\$11,627,220	\$15,092,949
<u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	<u>\$96,406</u>	<u>\$40,994</u>	<u>\$28,594</u>	<u>\$14,871</u>	<u>\$15,609</u>	<u>\$196,474</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$316,881</u>	<u>\$293,543</u>	<u>\$324,111</u>	<u>\$88,948</u>	<u>\$0</u>	<u>\$1,023,483</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$413,287</u>	<u>\$334,537</u>	<u>\$352,705</u>	<u>\$103,819</u>	<u>\$15,609</u>	<u>\$1,219,957</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

GOODRICH AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES FROM
Local Sources

Property Tax Levy	\$1,451,930
Earnings on Investments and Deposits	115,914
Medicaid	31,352
Miscellaneous Revenue	109,507
Total Revenues from Local Sources	<u>\$1,708,703</u>

State Sources

State Aid	13,995,425
Special Education - Headlee	319,467
At Risk	22,959
Vocational Education	28,867
Other State Grants	25,719
Total Revenues from State Sources	<u>\$14,392,437</u>

Federal Sources

Title I	140,199
Improving Teacher Quality	65,605
IDEA Flowthrough	294,717
Self Provider Review	4,000
Medicaid	10,237
Preschool	4,635
Other Grants from ISD	32,187
Total Revenues from Federal Sources	<u>\$551,580</u>
Total Revenues	<u>\$16,652,720</u>

OTHER FINANCING SOURCES

Other Transfers	284,095
Act 18	145,789
Transfers from Other Governmental Units	101,061
Total Other Financing Sources	<u>\$530,945</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES
\$17,183,665

GOODRICH AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION
BASIC PROGRAMS
Elementary

Salaries - Professional	\$2,539,769
Salaries - Non-Professional	89,542
Insurance	612,251
Fica, Retirement, Etc.	651,546
Other Benefits	3,800
Purchased Services	1,713
Supplies & Materials	70,444
Capital Outlay	33,458
Other	11,080
Total Elementary	<u>\$4,013,603</u>

Middle School

Salaries - Professional	1,358,429
Salaries - Non-Professional	38,393
Insurance	336,554
Fica, Retirement, Etc.	345,521
Other Benefits	2,400
Purchased Services	3,105
Supplies & Materials	93,902
Capital Outlay	9,214
Other	783
Total Middle School	<u>\$2,188,301</u>

High School

Salaries - Professional	1,822,149
Salaries - Non-Professional	48,814
Insurance	459,032
Fica, Retirement, Etc.	464,889
Other Benefits	2,400
Purchased Services	52,509
Supplies & Materials	59,972
Capital Outlay	32,832
Other	449
Total High School	<u>\$2,943,046</u>

Total Basic Programs

\$9,144,950

GOODRICH AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION (Continued)

ADDED NEEDS

Special Education

Salaries - Professional	\$562,466
Salaries - Non-Professional	193,023
Insurance	107,890
Fica, Retirement, Etc.	184,385
Other Benefits	4,600
Purchased Services	32,089
Supplies & Materials	14,381
Total Special Education	<u>\$1,098,834</u>

Compensatory Education

Salaries - Professional	35,860
Salaries - Non-Professional	76,467
Insurance	5,691
Fica, Retirement, Etc.	27,706
Purchased Services	1,818
Supplies & Materials	18,616
Total Compensatory Education	<u>\$166,158</u>

Vocational Education

Salaries - Professional	171,405
Salaries - Non-Professional	3,638
Insurance	31,600
Fica, Retirement, Etc.	42,483
Other Benefits	1,200
Purchased Services	478
Supplies & Materials	78,590
Total Compensatory Education	<u>\$329,394</u>

<u>Total Added Needs</u>	<u>\$1,594,386</u>
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<u>Total Instruction</u>	<u>\$10,739,336</u>
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SUPPORT SERVICES

Student Services

Salaries - Professional	318,315
Salaries - Non-Professional	113,498
Insurance	68,225
Fica, Retirement, Etc.	103,702
Other Benefits	720
Purchased Services	29,247
Supplies & Materials	4,633
Other	46,672
Total Student Services	<u>\$685,012</u>

GOODRICH AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)

Instructional Staff

Salaries - Professional	\$146,951
Salaries - Non-Professional	124,172
Insurance	34,103
Fica, Retirement, Etc.	63,171
Other Benefits	650
Purchased Services	85,289
Supplies & Materials	14,037
Other	320
Total Instructional Staff	<u>\$468,693</u>

General Administration

Salaries - Professional	130,018
Salaries - Non-Professional	60,588
Insurance	16,397
Fica, Retirement, Etc.	27,808
Other Benefits	921
Purchased Services	108,670
Supplies & Materials	3,910
Other	26,090
Total General Administration	<u>\$374,402</u>

School Administration

Salaries - Professional	388,244
Salaries - Non-Professional	176,411
Insurance	125,781
Fica, Retirement, Etc.	135,629
Other Benefits	8,916
Purchased Services	111,937
Supplies & Materials	2,688
Other	4,157
Total School Administration	<u>\$953,763</u>

Business Administration

Salaries - Non-Professional	134,198
Insurance	50,137
Fica, Retirement, Etc.	36,516
Other Benefits	1,440
Purchased Services	54,975
Supplies & Materials	3,428
Other	94,438
Total Business Administration	<u>\$375,132</u>

GOODRICH AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)

Operation & Maintenance of Plant

Salaries - Professional	\$48,560
Salaries - Non-Professional	298,754
Insurance	136,817
Fica, Retirement, Etc.	121,111
Purchased Services	689,271
Supplies & Materials	639,652
Capital Outlay	31,729
Other	763
Total Operation & Maintenance of Plant	<u>\$1,966,657</u>

Pupil Transportation

Salaries - Professional	40,299
Salaries - Non-Professional	444,215
Insurance	53,086
Fica, Retirement, Etc.	116,991
Other Benefits	6,593
Purchased Services	35,733
Supplies & Materials	259,587
Capital Outlay	69,568
Other	38,236
Total Pupil Transportation	<u>\$1,064,308</u>

Other Support Services

Salaries - Professional	37,232
Salaries - Non-Professional	147,576
Insurance	20,685
Fica, Retirement, Etc.	45,920
Other Benefits	4,100
Purchased Services	136,691
Capital Outlay	85,274
Total Other Support Services	<u>\$477,478</u>

Total Support Services

\$6,365,445

COMMUNITY SERVICES

Purchased Services	<u>1,415</u>
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TOTAL EXPENDITURES

\$17,106,196

GOODRICH AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

OTHER FINANCING USES

Transfers to Athletic Fund	\$302,996
Other Transfers	197
Loan Payments	74,799
Transfers to Other Districts	3,740
Total Other Financing Uses	<u>\$381,732</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$17,487,928

GOODRICH AREA SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>ASSETS</u>				
Cash and Cash Equivalents	<u>\$289,652</u>	<u>\$749,555</u>	<u>\$755,216</u>	<u>\$283,991</u>
<u>LIABILITIES</u>				
Due to Student and Other Groups	<u>\$289,652</u>	<u>\$749,555</u>	<u>\$755,216</u>	<u>\$283,991</u>

GOODRICH AREA SCHOOLS
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BUS AND INSTALLMENT CONTRACTS
AS OF JUNE 30, 2008

Bus Note Payable Chase Bank - \$115,868 Date of Issue: July 1, 2004

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
July 1, 2008	<u>\$30,152</u>	2.74	<u>\$826</u>	<u>\$30,978</u>

Land Contract Payable - Rodney & Kristen Mellen and William Fitzpatrick. Date of Issue: June 11, 1998

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
July 1, 2008	<u>\$15,381</u>	6.00	<u>\$923</u>	<u>\$16,304</u>

Note Payable - Davison State Bank Date of Issue: July 1, 2004

<u>DATE OF MATURITY</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE (%)</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL DEBT REQUIREMENT</u>
July 1, 2008	<u>\$278</u>	2.74	<u>\$8</u>	<u>\$286</u>

GOODRICH AREA SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2000 DEBT RETIREMENT SERIES A BONDS

Date of Issue: September 15, 2000 Amount Authorized \$15,845,000 Date of Refinance: February 15, 2005

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008-2009	4.700%	\$775,000	\$95,638	\$95,638	\$966,276
2009-2010	5.625%	825,000	77,425	77,425	979,850
2010-2011	5.625%	875,000	54,222	54,222	983,444
2011-2012	5.750%	1,030,000	29,613	29,613	1,089,226
<u>TOTAL</u>		<u>\$3,505,000</u>	<u>\$256,898</u>	<u>\$256,898</u>	<u>\$4,018,796</u>

For the purpose of financing the cost of erecting, furnishing and equipping a new middle school, and an addition to the high school.

Bonds maturing in 2103 and after were defeased, in substance, in connection with the 2005 refunding bond issue

2000 DEBT RETIREMENT SERIES B BONDS

Date of Issue: September 15, 2000 Amount Authorized \$10,470,000 Date of Refinance: February 15, 2005

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008-2009		\$0	\$52,000	\$52,000	\$104,000
2009-2010		0	52,000	52,000	104,000
2010-2011		0	52,000	52,000	104,000
2011-2012		0	52,000	52,000	104,000
2012-2013		0	52,000	52,000	104,000
2013-2014		0	52,000	52,000	104,000
2014-2015		0	52,000	52,000	104,000
2015-2016		0	52,000	52,000	104,000
2016-2017		0	52,000	52,000	104,000
2017-2018		0	52,000	52,000	104,000
2018-2019		0	52,000	52,000	104,000
2019-2020		0	52,000	52,000	104,000
2020-2021	5.625%	0	52,000	52,000	104,000
2021-2022	5.625%	0	52,000	52,000	104,000
2022-2023	5.375%	0	52,000	52,000	104,000
2023-2024	5.000%	1,030,000	52,000	52,000	1,134,000
2024-2025	5.000%	1,050,000	26,250	26,250	1,102,500
<u>TOTAL</u>		<u>\$2,080,000</u>	<u>\$858,250</u>	<u>\$858,250</u>	<u>\$3,796,500</u>

For the purpose of refunding the original Series B portion of the 2000 bonded debt

Bonds maturing in 2021 and 2002 were defeased, in substance, in connection with the 2005 refunding bond issue

Bonds maturing in 2023 and 2026-2030 were defeased, in substance, in connection with the 2006 refunding bond issue

GOODRICH AREA SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2005 DEBT RETIREMENT

Date of Issue: March 15, 2005

Amount Authorized \$10,600,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008-2009	2.800%	\$30,000	\$249,105	\$249,105	\$528,210
2009-2010	3.000%	30,000	248,685	248,685	527,370
2010-2011	3.200%	30,000	248,235	248,235	526,470
2011-2012	3.300%	30,000	247,755	247,755	525,510
2012-2013	5.000%	1,030,000	247,260	247,260	1,524,520
2013-2014	5.000%	1,050,000	221,260	221,260	1,492,520
2014-2015	5.000%	1,030,000	195,260	195,260	1,420,520
2015-2016	5.000%	1,050,000	169,260	169,260	1,388,520
2016-2017	5.000%	1,030,000	143,260	143,260	1,316,520
2017-2018	5.000%	1,050,000	117,260	117,260	1,284,520
2018-2019	5.000%	1,030,000	91,260	91,260	1,212,520
2019-2020	4.100%	1,050,000	65,260	65,260	1,180,520
2020-2021	4.200%	1,030,000	43,940	43,940	1,117,880
2021-2022	4.250%	1,050,000	22,100	22,100	1,094,200
<u>TOTAL</u>		<u>\$10,520,000</u>	<u>\$2,309,900</u>	<u>\$2,309,900</u>	<u>\$15,139,800</u>

GOODRICH AREA SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2006 REFUNDING BONDS

Date of Issue: February 14, 2006

Amount Authorized \$6,800,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008-2009		\$0	\$142,900	\$142,900	\$285,800
2009-2010		0	142,900	142,900	285,800
2010-2011		0	142,900	142,900	285,800
2011-2012		0	142,900	142,900	285,800
2012-2013		0	142,900	142,900	285,800
2013-2014		0	142,900	142,900	285,800
2014-2015		0	142,900	142,900	285,800
2015-2016	4.000%	35,000	142,900	142,900	320,800
2016-2017	4.000%	35,000	142,200	142,200	319,400
2017-2018	4.000%	40,000	141,500	141,500	323,000
2018-2019	4.000%	40,000	140,700	140,700	321,400
2019-2020	4.000%	40,000	139,900	139,900	319,800
2020-2021	4.000%	45,000	139,100	139,100	323,200
2021-2022	4.000%	45,000	138,200	138,200	321,400
2022-2023	4.000%	1,070,000	137,300	137,300	1,344,600
2023-2024	4.125%	35,000	115,900	115,900	266,800
2024-2025	4.125%	35,000	115,178	115,178	265,356
2025-2026	4.125%	1,080,000	114,456	114,456	1,308,912
2026-2027	4.250%	1,075,000	92,181	92,181	1,259,362
2027-2028	4.250%	1,070,000	69,338	69,338	1,208,676
2028-2029	4.300%	1,085,000	46,600	46,600	1,178,200
2029-2030	4.350%	1,070,000	23,273	23,273	1,116,546
<u>TOTAL</u>		<u>\$6,800,000</u>	<u>\$2,699,026</u>	<u>\$2,699,026</u>	<u>\$12,198,052</u>

For the purpose of refunding portions of the Series B 2000 bonded debt.

GOODRICH AREA SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2008 REFUNDING BONDS

Date of Issue: February 7, 2008

Amount Authorized \$11,365,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2008-2009	3.500%	\$900,000	\$218,238	\$320,082	\$1,438,320
2009-2010	3.500%	930,000	202,487	202,488	1,334,975
2010-2011	3.500%	960,000	186,212	186,213	1,332,425
2011-2012	3.500%	735,000	169,413	169,412	1,073,825
2012-2013	3.500%	720,000	156,550	156,550	1,033,100
2013-2014	3.500%	705,000	143,950	143,950	992,900
2014-2015	3.500%	695,000	131,612	131,613	958,225
2015-2016	4.500%	680,000	119,450	119,450	918,900
2016-2017	4.500%	675,000	104,150	104,150	883,300
2017-2018	4.500%	665,000	88,963	88,962	842,925
2018-2019	4.000%	655,000	74,000	74,000	803,000
2019-2020	4.000%	645,000	60,900	60,900	766,800
2020-2021	4.000%	625,000	48,000	48,000	721,000
2021-2022	4.000%	610,000	35,500	35,500	681,000
2022-2023	4.000%	590,000	23,300	23,300	636,600
2023-2024	4.000%	575,000	11,500	11,500	598,000
<u>TOTAL</u>		<u>\$11,365,000</u>	<u>\$1,774,225</u>	<u>\$1,876,070</u>	<u>\$15,015,295</u>

For the purpose of refunding portions of the Series 1998 Refunding Bond

GOODRICH AREA SCHOOLS

GOODRICH, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPAs, PC

Serving You with Trust and Integrity

October 20, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Goodrich Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the Goodrich Area Schools' basic financial statements and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Goodrich Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Goodrich Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Goodrich Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Goodrich Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Goodrich Area Schools' financial statements that is more than inconsequential will not be prevented or detected by the Goodrich Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Goodrich Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodrich Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.




Goodrich Area Schools

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October 20, 2008

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LEWIS & KNOPE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPA's, PC

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October 20, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Goodrich Area Schools

Compliance

We have audited the compliance of Goodrich Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Goodrich Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Goodrich Area Schools' management. Our responsibility is to express an opinion on Goodrich Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodrich Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Goodrich Area Schools' compliance with those requirements.

In our opinion, Goodrich Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Goodrich Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Goodrich Area Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Goodrich Area Schools' internal control over compliance.



Goodrich Area Schools

Page 2

October 20, 2008

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Area Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Goodrich Area Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

GOODRICH AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Michigan Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I (06-07)		71530-0607	\$110,077
ESEA Title I (07-08)		81530-0708	129,885
Total Title I Grants to Local Educational Agencies			<u>\$239,962</u>
Service Provider Self Review	84.027	80440-0708	4,000
Innovative Education Program Strategies	84.298		
Title V (07-08)		80250-0708	444
Technology Literacy Challenge Grants	84.318		
Technology Literacy Challenge Fund (07-08)		84290-0708	1,202
Improving Teacher Quality	84.367		
Improving Teacher Quality (07-08)		80520-0708	47,468
Improving Teacher Quality (06-07)		70520-0607	42,767
Total Improving Teacher Quality			<u>\$90,235</u>
Total Passed Through Michigan Department of Education			<u>\$335,843</u>
<u>Passed Through Genesee Intermediate School District</u>			
Special Education - Grants to States:	84.027		
IDEA Flow-Through (07-08)		80450-0708	294,717
IDEA Flow-Through (06-07)		70450-0607	310,855
Transition Services (07-08)		80490-TS	94
Transition Services (06-07)		70490-TS	1,200
Total Special Education Grants to States			<u>\$606,866</u>
Vocational Education	84.048		
Perkins Grant (07-08)		83520-80125-15	19,661
Preschool Incentive	84.173		
Preschool Incentive (07-08)		80460-0708	4,635
Preschool Incentive (06-07)		70460-0607	9,432
Total Preschool			<u>\$14,067</u>
Emergency Management/Crisis Response	84.184E	Q184EO50156	2,750
Partnerships in Character Education	84.215S		
Partnerships in Character Education		Q215S060132	8,600
Partnerships in Character Education		Q215S060132	11,061
Total Partnerships in Character Education			<u>\$19,661</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$40,171	\$87,535	\$22,542	\$0	\$62,713	\$0
0	0	117,657	0	80,080	37,577
\$40,171	\$87,535	\$140,199	\$0	\$142,793	\$37,577
0	0	4,000	0	4,000	0
0	0	0		444	(444)
0	0	0	0	0	0
0	0	35,749	0	17,612	18,137
12,911	12,911	29,856	0	42,767	0
\$12,911	\$12,911	\$65,605	\$0	\$60,379	\$18,137
\$53,082	\$100,446	\$209,804	\$0	\$207,616	\$55,270
0	0	294,717	0	0	294,717
33,863	310,855	0	0	33,863	0
0	0	94	0	94	0
198	1,200	0	0	198	0
\$34,061	\$312,055	\$294,811	\$0	\$34,155	\$294,717
0	0	19,661	0	19,661	0
0	0	4,635	0	0	4,635
9,432	0	0	0	9,432	0
\$9,432	\$0	\$4,635	\$0	\$9,432	\$4,635
2,750	2,750	829	0	3,579	0
317	8,299	0	0	317	0
0	0	11,061	0	11,061	0
\$317	\$8,299	\$11,061	\$0	\$11,378	\$0

GOODRICH AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
<u>Passed Through Genesee Intermediate School District</u> (Continued)			
English Language Acquisition Grants	84.365		
Title III - Limited English (07-08)		80580-0708	\$542
Total Passed Through Genesee Intermediate School District			<u>\$663,547</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$999,390
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Michigan Department of Education:</u>			
Food Distribution	10.550		
Entitlement Commodities		N/A	42,835
Bonus Commodities		N/A	2,219
Total Commodities			<u>\$45,054</u>
School Breakfast Program	10.553	N/A	4,055
National School Lunch Program	10.555	N/A	137,576
<u>Passed Through Genesee Intermediate School District</u>			
Integrated Nutrition Education & Physical Activity Program for Students in Low-Income MI Schools (PeaNut)	10.561	61-5003M	<u>26,130</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$212,815
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
<u>Passed Through Genesee Intermediate School District</u>			
Medical Assistance Program Title XIX	93.778		
Medicaid School Based Services/Transportation		N/A	<u>10,237</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$1,222,442</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$0	\$0	\$542	\$0	\$0	\$542
\$46,560	\$323,104	\$331,539	\$0	\$78,205	\$299,894
\$99,642	\$423,550	\$541,343	\$0	\$285,821	\$355,164
0	0	42,835	0	42,835	0
0	0	2,219	0	2,219	0
\$0	\$0	\$45,054	\$0	\$45,054	\$0
0	0	4,055	0	4,055	0
13,028	0	88,388	0	101,416	0
0	0	28,736	0	26,130	2,606
\$13,028	\$0	\$166,233	\$0	\$176,655	\$2,606
0	0	10,237	0	10,237	0
\$112,670	\$423,550	\$717,813	\$0	\$472,713	\$357,770

GOODRICH AREA SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$717,813</u>
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FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund	\$551,580
School Service Fund	<u>166,233</u>
<u>TOTAL</u>	<u>\$717,813</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

GOODRICH AREA SCHOOLS
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Current Payments Per the Grant Section Auditor's Report		
(Form R 7120)		\$92,443
Cash Management System		207,616
Total		<u>\$300,059</u>
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District		
Special Education Grants to States (CFDA 84.027)	\$34,155	
Vocational Education (CFDA 84.048)	19,661	
Emergency Management/Crisis Response (CFDA 84.184E)	3,579	
Preschool Incentive (CFDA 84.173)	9,432	
Partnerships in Character Education (CFDA 84.215S)	11,378	
Integrated Nutrition Education & Physical Activity Program		
for Students in Low-Income MI Schools (PeaNut) (CFDA 10.561)	26,130	
Medical Assistance Program Title XIX (CFDA 93.778)	10,237	
Total Grants Passed Through Genesee Interemmediate School District		<u>114,572</u>
 Add: Timing Difference		 13,028
 Entitlement and Bonus Commodities (CFDA# 10.550)		 <u>45,054</u>
 <u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		 <u><u>\$472,713</u></u>

GOODRICH AREA SCHOOLS- GOODRICH, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Is a “going concern” explanatory paragraph included in the audit report? ☐ Yes ☒ No
- Is a significant deficiency disclosed? ☐ Yes ☒ No
- Is any Significant deficiency reported as a material weaknesses? ☐ Yes ☒ None reported
- Is a material noncompliance disclosed? ☐ Yes ☒ No

Federal Awards

- Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00
- Did the auditee qualify as a low-risk auditee? ☐ Yes ☒ No
- Is a significant deficiency disclosed for any major program? ☐ Yes ☒ No
- Is any significant deficiency reported for any major program as a material weakness? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
84.027/84.173

Name of Federal Program or Cluster
Title I Grants to States
Special Education Cluster

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

GOODRICH AREA SCHOOLS- GOODRICH, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-1) Special Education Cluster (#84.027 and #84.173)

Specific Requirement: Allowable Cost/Cost Principles.

Condition: The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.

Criteria: The cost principles of OMB Circular A-87 require, “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards. Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

Effect of Condition: Salaries and wages charged to the program could be disallowed.

Cause of Condition: The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for personal activity reports or equivalent documentation.

Recommendation: The District should develop a personal activity report or equivalent documentation that meets the requirements of the circular.

Status: The District has developed a personal activity report or equivalent documentation that meets the requirements of the circular.

Questioned Cost: None.